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GS GILL SDN BHD

v.

DESCENTE, LTD

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FEDERAL COURT, PUTRAJAYA
ZULKEFLI AHMAD MAKINUDDIN FCJ
JAMES FOONG FCJ
HELILIAH MOHD YUSOF FCJ
[CIVIL APPEAL NO: 02(f)-46-2008 (W)]
12 APRIL 2010

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CIVIL PROCEDURE: *Anton Piller order - Damages - Whether plaintiff entitled to claim damages for goods seized and removed from its premises by defendant who gave undertaking as to damages when Anton Piller orders set aside - Discretion of trial judge whether to order inquiry as to damages - Whether there were special circumstances for trial judge to refuse ordering such inquiry - Anton Piller orders set aside on defective affidavit rather than on merits - Defendant's conduct in continuing to sell products in violation of injunction orders taken into account - Defendant exported products outside its territorial restriction - Whether discretion of trial judge should be disturbed*

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SALE OF GOODS: *Goods sold and delivered - Whether defendant's transaction was an over the counter sale or an export sale which was prohibited by third licence agreement - Defendant's customer was a foreigner - Purchaser transacted in foreign currency - Defendant assisted in freighting goods to Hong Kong - Confirmation of balance of payment to defendant was by an overseas bank - Whether reasonable man taking all these elements in their entirety would conclude this was an export sale*

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G The defendant is a sports goods retailer and also sells sports apparel under the name of "Le Coq Sportif". The plaintiff is the owner of that trade mark. The plaintiff entered into three agreements with the defendant which gave the defendant the right to manufacture and retail goods carrying the Le Coq Sportif mark dated 16 December 1991, 4 July 1995 and 26 August 1996 ("the third licence agreement"). The agreements imposed a restriction on the defendant that it could only market the goods within Malaysia and Singapore. Subsequently, the plaintiff discovered Le Coq Sportif goods manufactured in Malaysia in the Japanese market. The plaintiff suspected the defendant of having violated this restriction in

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the agreement. The plaintiff decided to put the defendant to test. It engaged the services of one Isaac Leung to assist it to see if the defendant was in fact exporting Le Coq Sportif goods. Isaac Leung came to Kuala Lumpur on two occasions. On the second occasion he obtained samples and also purchased about US\$10,395 worth of Le Coq Sportif goods for which he paid US\$5,000 straightaway. The goods were shipped by the defendant to Hong Kong. On 16 June 1997 the plaintiff issued a writ against the defendant claiming breach of the third licence agreement. The plaintiff also obtained Anton Piller injunction orders and executed the same. The products under the licence agreements (“products”) in the defendant’s possession were seized by the plaintiff. However, these orders were set aside by the High Court on 5 January 2004 (due to defective affidavits). In this regard, the defendant contended that it had to abruptly terminate the services of contractors appointed to manufacture the products locally due to the Anton Piller orders. Thus, the defendant faced potential claims from these contractors and the loss of sales of the products. The defendant also claimed that it suffered humiliation and loss of goodwill. These claims were made pursuant to the plaintiff’s undertaking for damages under the Anton Piller orders which were set aside and they formed the basis for the counterclaim. At the conclusion of the trial the trial judge delivered judgment in favour of the plaintiff and also dismissed the defendant’s counterclaim. The defendant unsuccessfully appealed to the Court of Appeal. Being dissatisfied with the decision of the Court of Appeal the defendant sought and obtained leave to appeal to the Federal Court on the following questions: ‘Whether in law the defendant is entitled as of right to claim damages for goods seized and removed from the defendant’s premises by the plaintiff who had given an undertaking as to damages pursuant to *ex parte* Anton Piller orders dated 17 June 1997 and 1 July 1997 that were set aside by the court upon the applications being made by the defendant’ and ‘whether in law the sales of goods over the counter by the defendant in the defendant’s premises in Kuala Lumpur, Malaysia, to an agent of the plaintiff and the subsequent shipping of a portion of the said goods to Hong Kong at the specific request of the said agent, constituted an “export” sale of all the said goods outside Malaysia by the defendant’.

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- A Held (dismissing the defendant's appeal with costs)**
Per James Foong FCJ delivering the judgment of the court:
- (1) Based on the facts no reasonable man having considered this entire transaction could say that this was not an export sale.
B This transaction far exceeds the ordinary man's perception of an over the counter sale. It has all the elements to constitute an export sale. Although each of these elements taken on their own may not be considered as export, taken in their entirety a reasonable man could not have come to any other conclusion except an export sale which was prohibited by the terms of the third licence agreement. *Investor Compensation Scheme v. West Broomwick Building Society* (refd). (para 21)
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- (2) The defendant's wide and liberal interpretation of clause 9.7 of the third licence agreement was against the spirit and intention of the agreement. Clause 9.7 must be given a purposive interpretation that makes good commercial sense on what was agreed. Since it was the spirit and intention of the parties to accept territorial restriction in their transaction, the defendant should not have sought ways and means to bypass this clause.
D Clause 9.7 demands the defendant to take all reasonable steps to ensure not only themselves but also their distributors, affiliates and/or sub-contractors refrain from exporting directly or indirectly the products outside the restricted territories. *Miramar Maritime Corporation v. Holborn Oil Trading Ltd* (refd); *Antaios Cia Nabiera SA v. Salen Rederierna AB, The Antaios* (refd). (para 22)
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- (3) Section 5(1) of the Sale of Goods Act 1957 could not assist the defendant's case. Even if a sale was made or completed at the counter, the question remains as to whether this sale violated clause 9.7 of the third licence agreement. In this case, the defendant had exported the products directly or indirectly outside its territory limits. Hence, the second question was answered in the affirmative. (paras 23, 24 & 25)
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- (4) Whether an inquiry as to damages should be ordered lies with the discretion of the trial judge. It is not for the defendant to insist that such inquiry should be made. As a general rule, if an interlocutory injunction is wrongly granted, the trial judge should make an order for inquiry to damages on the undertaking given by the plaintiff for the interlocutory
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injunction. But if there are special circumstances, the trial judge can exercise his discretion to refuse ordering such inquiry. *Smith v. Day* (refd); *F Hoffmann-La Roche & Co v. Secretary of State for Trade and Industry*; *Cheltenham & Gloucester Building Society v. Ricketts* (foll); *Financiera Avendia v. Shiblax* 7 November 1990 (refd); *Ex parte Hall* (refd); *Hessin v. Coppin* (refd); *Modern Transport Co Ltd v. Duneric Steamship Co* (refd); *Upper Canada College v. City of Toronto* (refd); *Attorney General of Ontario v. Harry* (refd); *Newby v. Harrison* (refd). (paras 31 & 32)

- (5) The discretion of the trial judge in refusing to order an inquiry to damages should not be disturbed. The Anton Piller orders were set aside on the basis of a defective affidavit rather than on merit. Further, upon final determination of the case at the end of the trial, the trial judge found in the plaintiff's favour and ordered the injunction to remain permanent. The trial judge had also correctly taken into account the conduct of the defendant subsequent to the *ex parte* injunctions where the defendant violated these orders. The Court of Appeal also correctly took into consideration the defendant's clandestine activity in exporting the products outside its territorial restriction as a factor in justifying the trial judge's decision for not ordering an inquiry to damages. Consequently the first question was answered in the negative. (paras 33-37)

Bahasa Malaysia Translation Of Headnotes

Defendan adalah suatu penjual barang-barang sukan dan juga menjual pakaian sukan di bawah nama "Le Coq Sportif". Plaintiff ialah pemilik cap dagang tersebut. Plaintiff membuat beberapa perjanjian dengan defendan yang memberinya hak untuk menghasilkan dan menjual barang-barang dengan cap Le Coq Sportif bertarikh 16 Disember 1991, 4 Julai 1995 dan 26 Ogos 1996 ('perjanjian lesen ketiga'). Perjanjian-perjanjian mengenakan sekatan atas defendan bahawa ia hanya boleh memasarkan barang-barang tersebut dalam Malaysia dan Singapura. Kemudiannya, plaintiff mendapat tahu bahawa barang-barang Le Coq Sportif yang dihasilkan di Malaysia terdapat dalam pasaran Jepun. Plaintiff mensyaki defendan telah memungkir sekatan di dalam perjanjian. Plaintiff memutuskan untuk menguji defendan. Ia mengupah seorang yang bernama Isaac Leung untuk menolongnya untuk memastikan jika defendan sebenarnya mengeksport barang-barang Le Coq Sportif.

- A Isaac Leung datang ke Kuala Lumpur sebanyak dua kali. Pada kali kedua beliau mendapat sampel-sampel dan juga membeli kira-kira US\$10,395 barang-barang Le Coq Sportif untuk mana beliau terus membayar US\$5,000. Barang-barang tersebut dihantar oleh defendan ke Hong Kong. Pada 16 Jun 1997 plaintif mengeluarkan suatu writ
- B terhadap defendan mendakwa pelanggaran perjanjian lesen ketiga. Plaintif juga memperolehi perintah-perintah injunksi Anton Piller dan melaksanakan yang sama. Produk-produk di bawah perjanjian lesen ('produk-produk') di dalam milikan defendan telah disita oleh plaintif. Walau bagaimanapun, perintah-perintah ini telah diketepikan
- C oleh Mahkamah Tinggi pada 5 Januari 2004 (disebabkan affidavit-afidavit cacat). Berkenaan ini, defendan menghujah bahawa ia terpaksa menamatkan dengan tiba-tiba perkhidmatan kontraktor-kontraktor yang dilantik untuk menghasilkan produk-produk tempatan disebabkan perintah-perintah Anton Piller tersebut. Oleh
- D itu, defendan menghadapi kemungkinan tuntutan-tuntutan dari kontraktor-kontraktor itu dan kerugian jualan produk-produk. Defendan juga mendakwa bahawa ia telah menanggung kemaluan dan kehilangan nama baik. Tuntutan-tuntutan ini dibuat menurut akujanji plaintif untuk ganti rugi di bawah perintah-perintah Anton
- E Piller yang telah diketepikan dan mereka merupakan asas tuntutan balas. Pada kesudahan perbicaraan hakim perbicaraan menyampaikan penghakiman yang berpihak pada plaintif dan juga menolak tuntutan balas defendan. Defendan merayu ke Mahkamah Rayuan tetapi gagal. Berasa tidak puashati dengan keputusan Mahkamah Rayuan
- F defendan menuntut dan memperolehi kebenaran untuk merayu ke Mahkamah Persekutuan mengenai soalan-soalan berikut: 'Sama ada dalam undang-undang defendan berhak sebegitu menuntut ganti rugi bagi barang-barang yang disita dan dikeluarkan dari premis defendan oleh plaintif yang telah memberi akujanji mengenai ganti rugi
- G menurut perintah-perintah *ex parte* Anton Piller bertarikh 17 Jun 1997 dan 1 Julai 1997 yang telah diketepikan oleh mahkamah setelah permohonan-permohonan yang dibuat oleh defendan' dan 'sama ada dalam undang-undang jualan barang-barang di atas kaunter oleh defendan dan di dalam premis defendan di Kuala
- H Lumpur, Malaysia, kepada seorang agen plaintif dan penghantaran kemudiannya sebahagian barang-barang tersebut ke Hong Kong menurut permintaan khusus agen tersebut, merupakan suatu jualan "eksport" semua barang-barang tersebut di luar Malaysia oleh defendan'.
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Diputuskan (menolak rayuan defendan dengan kos)

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Oleh James Foong HMP menyampaikan penghakiman mahkamah:

- (1) Berdasarkan fakta-fakta seorang munasabah yang telah menimbangkan seluruh transaksi ini tidak boleh mengatakan bahawa ini bukan suatu jualan eksport. Transaksi ini jauh melampaui pandangan orang biasa tentang suatu jualan di atas kaunter. Ia mempunyai semua elemen-elemen untuk menjadikannya suatu jualan eksport. Walaupun setiap elemen-elemen jika diambil berasingan tidak mungkin dianggap sebagai eksport, diambil dalam keseluruhan seorang munasabah tidak akan mencapai apa-apa kesimpulan kecuali ia suatu jualan eksport yang dilarang oleh terma-terma perjanjian lesen ketiga. *Investor Compensation Scheme v. West Broomwick Building Society* (dirujuk). B C
- (2) Pentafsiran luas and bebas klausa 9.7 perjanjian lesen ketiga oleh defendan menentang sikap and niat perjanjian. Klausa 9.7 mesti diberi pentafsiran purposif yang mempunyai maksud komersial bagus tentang apa yang telah disetujui. Oleh kerana ia adalah sikap dan niat pihak-pihak untuk menerima batasan wilayah dalam transaksi mereka, defendan tidak sepatutnya mencari jalan-jalan dan cara-cara untuk melangkau klausa ini. Klausa 9.7 meminta defendan mengambil semua langkah munasabah untuk menentukan bukan sahaja mereka tetapi semua pengedar-pengedar, gabungan-gabungan dan/atau kontraktor bawahan mereka tidak eksport terus atau tidak terus produk-produk di luar wilayah-wilayah yang dibataskan. *Miramar Maritime Corporation v. Holborn Oil Trading Ltd* (dirujuk); *Antaios Cia Nabiera SA v. Salen Rederierna AB, The Antaios* (dirujuk). D E F
- (3) Seksyen 5(1) Akta Jualan Barangan 1957 tidak dapat membantu kes defendan. Jikapun suatu jualan dibuat atau diselesaikan di kaunter, soalan masih kekal sama ada jualan ini melanggar klausa 9.7 perjanjian lesen ketiga. Dalam kes ini, defendan telah mengeksport produk-produk secara terus atau tidak terus di luar batasan-batasan wilayahnya. Oleh yang demikian, soalan kedua dijawab secara afirmatif. G H
- (4) Sama ada suatu siasatan mengenai gantirugi seharusnya diarahkan terletak pada budi bicara hakim perbicaraan. Ia bukan untuk defendan untuk mendesak bahawa siasatan sebegitu sepatutnya dibuat. Sebagai kanun am, jika suatu injunksi I

- A interlokutori diberikan dengan silap, hakim perbicaraan seharusnya membuat suatu perintah bagi siasatan tentang ganti rugi atas akujanji yang diberi oleh plaintif untuk injuksi interlokutori. Tetapi jika ada keadaan-keadaan khas, hakim perbicaraan boleh menggunakan budi bicaranya untuk tidak mengarahkan siasatan sedemikian. *Smith v. Day* (dirujuk); *F Hoffmann-La Roche & Co v. Secretary of State for Trade and Industry*; *Cheltenham & Gloucester Building Society v. Ricketts* (diikuti); *Financiera Avendia v. Shiblag* 7 November 1990 (refd); *Ex parte Hall* (dirujuk); *Hessin v. Coppin* (dirujuk); *Modern Transport Co Ltd v. Duneric Steamship Co* (dirujuk); *Upper Canada College v. City of Toronto* (dirujuk); *Attorney General of Ontario v. Harry* (dirujuk); *Newby v. Harrison* (dirujuk).
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- (5) Budi bicara hakim perbicaraan apabila tidak mengarahkan suatu siasatan tentang ganti rugi tidak seharusnya diusik. Perintah-perintah Anton Piller telah diketepikan atas dasar affidavit cacat dan bukannya atas merit. Lagipun, selepas penyelesaian akhir kes pada kesudahan perbicaraan, hakim perbicaraan memutuskan memihak dengan plaintif dan mengarahkan injuksi untuk dijadikan kekal. Hakim perbicaraan juga betul apabila menimbangkan kelakuan defendan selepas injuksi-injuksi *ex parte* di mana defendan melanggar perintah-perintah tersebut. Mahkamah Rayuan juga betul apabila mempertimbangkan aktiviti rahsia defendan dalam mengeksport produk-produk di luar batasan wilayahnya sebagai faktor yang menjustifikasikan keputusan hakim perbicaraan untuk tidak mengarahkan suatu siasatan tentang ganti rugi. Akibatnya, soalan pertama dijawab dalam bentuk negatif.
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- Case(s) referred to:**
- G *Antaios Cia Nabiera SA v. Salen Rederierna AB, The Antaios* [1984] 3 All ER 229 (refd)
Attorney General of Ontario v. Harry [1982] 25 CPC 67 (refd)
Cheltenham & Gloucester Building Society v. Ricketts [1993] 1 WLR 1545 (foll)
- H *Ex parte Hall* [1883] 21 Ch D 664 (refd)
F Hoffmann-La Roche & Co v. Secretary of State for Trade and Industry [1975] AC 295 (refd)
Hessin v. Coppin [1874] 21 Gr 253 (refd)
Investor Compensation Scheme v. West Broomwick Building Society [1998] 1 All ER 96 (refd)
- I *Miramar Maritime Corporation v. Holborn Oil Trading Ltd* [1984] AC 676 (refd)

Modern Transport Co Ltd v. Duneric Steamship Co [1917] 1 KB 370 (*refd*) A
Newby v. Harrison [1861] 3 DE G F & J 287 (*refd*)
Smith v. Day [1882] 21 Ch D 421 (*refd*)
Upper Canada College v. City of Toronto [1917] 40 OLR 438 (*refd*)

Legislation referred to:

Sale of Goods Act 1957, s. 5(1) B

For the appellant - M/s Jagjit Singh & Co

For the respondent - M/s Tay & Partners

[Appeal from Court of Appeal; Civil Appeal No: W-02-977-05] C

Reported by Susheila Sreedharan

JUDGMENT

James Foong FCJ: D

Introduction

[1] This appeal is by the defendant who is dissatisfied with the decision of the Court of Appeal in dismissing its appeal against the decision of the trial judge who allowed the plaintiff's claim and dismissed the defendant's counterclaim. E

Facts

[2] The facts of this case are rather straightforward and comprehensively described by the Court of Appeal which we append below: F

The defendant is a well known sports goods retailer. It sells all sorts of sports apparel as well. There is a range of sports apparel under the name of "Le Coq Sportif". The plaintiff is the owner of that trade mark. It entered into three agreements with the defendant under the terms of which it gave to the defendant the right to manufacture and retail goods carrying Le Coq Sportif mark. They are dated 16 December 1991 ("the first licence agreement"), 4 July 1995 ("the second licence agreement") and 26 August 1996 ("the third licence agreement"). But there was an important restriction imposed on the defendant. It could only market the goods in question within Malaysia and Singapore. Exporting the goods outside these two countries was strictly prohibited. Each of the three agreements contained a clause to that effect. Absent (Aside) the plaintiff's licence it was unlawful for the defendant to do any of G
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A the things permitted by the respective licence agreements. At this point I would mention three matters. Although the first licence agreement was expressed to be effective for only a period of 12 months, that is to say, from 1 January 1992 to 31 December 1992, it appears to have been consistently renewed until the second licence agreement was entered into. Next, although the second licence agreement expired on 31 December 1995, the plaintiff permitted the defendant to continue as before until the third licence agreement had been executed. Last, under the terms of the respective agreements, in the event of non-renewal of the licence by the plaintiff, the defendant had 6 months to dispose of the licence goods that it had in its hands.

Now it is evidence that during the currency of the first and second agreements problems arose between the parties. The plaintiff had found Le Coq Sportif goods manufactured in Malaysia in the Japanese market. If such goods were available in Japan, they must in all probability have come from the defendant. For, there were no other sources from which the goods could have come. Not unnaturally, the plaintiff was the most concerned about this and about granting a fresh licence to the defendant whom it suspected of having violated a most important term of the existing agreement.

D After the third licence agreement had been entered into, the plaintiff decided to put the defendant to test. In 1996, it engaged the services of one Isaac Leung through the firm of M/s Rouse & Co of Hong Kong to assist it to see if the defendant was in fact exporting Le Coq Sportif goods. Isaac Leung came to Kuala Lumpur on two occasions. He first came on 8 August 1996. He went to the defendant's premises with the object of obtaining samples and quotations for Le Coq Sportif goods marketed by the defendant. But he was unable to obtain any. He next came in 30 December 1996, that is to say, on the eve of the expiry of the third licence agreement. On this occasion he was able to obtain samples.

E He also purchased about US\$10,395 worth of Le Coq Sportif goods for which he paid US\$5000 straightaway. The subject goods were, at Isaac Leung's request, shipped by the defendant to an address in Hong Kong. He defendant billed Isaac Leung's company in Hong Kong. Thereafter, the plaintiff then issued a writ against the defendant on 16 June 1997 claiming a breach of the third licence agreement. On the same day it obtained an *ex parte* Anton Piller injunction. Three days later, that is to say, on 19 June 1997, the plaintiff faxed to the defendant a letter terminating the third licence agreement and on the same day executed the Anton Piller order on the defendant. Pausing, you may well ask why the plaintiff had to terminate the third licence agreement when, by its terms it lapsed on 31 December 1996. The answer is that although it had lapsed,

the parties continued to deal with each other even after the date of its expiry. Neither could be heard to say that the agreement had earlier lapsed. If either had tried, he would have been stopped from making the assertion. The plaintiff would have put an end to the contract it had with the defendant.

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Returning to the mainstream, after the Anton Piller proceedings there were several interlocutory matters that were heard and disposed of by the High Court, including an unsuccessful application by the plaintiff to have a director of the defendant punished for contempt. Following an exchange of pleadings, which included a counterclaim by the defendant, and other pre-trial steps, the action came on for trial. After hearing *viva voce* evidence, the learned trial judge, adjourned the matter for a short while and then, entirely to his own credit, delivered an *ex tempore* judgment in which he held for the plaintiff and granted it the relief claimed. He also dismissed the defendant's counterclaim.

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[3] Pertinent to this appeal, we must stress that subsequent to the *ex parte* Anton Piller orders obtained by the plaintiff on 16 June 1997, the plaintiff took a few days executing it. It was an extensive operation. The products under the licence agreements ("products") in the possession of the defendant amounting to RM6,824,044.44 (according to the defendant's estimates) were seized and carted away by the plaintiff. There were also other repercussions. According to the defendant, as the result of these Anton Piller orders, the defendant had to abruptly terminate the services of contractors who were appointed by the defendant to manufacture the products locally. As a result, the defendant faces a potential claim of RM957,941.03 from these contractors. In addition, there was the loss of sales of the products amounting to RM40,024,000. And topping this, the defendant claimed that it has suffered humiliation and loss of goodwill estimated at RM35,000,000.

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[4] These losses, according to the defendant, should be compensated by the plaintiff who had given an undertaking for damages when the plaintiff applied for the *ex parte* Anton Piller orders. When these orders were set aside by the High Court on 5 January 2004 (due to defective affidavits) the plaintiff should be responsible to pay the defendant the damages suffered.

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A [5] The trial judge refused to entertain this by stating:

B I however, made no order in respect of prayer 2 in those two enclosures, ie, enclosures 18 and 21, for the assessment of damages because of the concerns of the learned counsel for the defendant had voiced in relation to the trial not proceeding expeditiously earlier. The pleadings also clearly disclosed that there was a counterclaim for damages by the defendant.

C Therefore it is not expedient, but to exercise commonsense to have the whole matter determined during the trial. That was why I did not order an assessment of damages by the registrar at that juncture ...

D The evidence adduced on behalf of the plaintiff shows that subsequent sale of the licenced products did take place until as late as April 1998. Therefore, it would appear that the defendant had not suffered damage as a result of the Anton Piller orders because the defendant continued to trade in the licenced products. However, it is my finding that the defendant should have ceased so trading on 19th June 1997.

E [6] This issue was canvassed by the defendant in the Court of Appeal but was rejected in this manner:

F Before I deal with the plaintiff's appeal, there is one final matter that I think that it must be addressed. It has to do with the judge's refusal to enforce the plaintiff's undertaking as to damages by directing an assessment despite the fact that the Anton Piller injunctions were later set aside. Some complaint was made about this.

G It must be stated at once that the power of a court to permit the enforcement of an undertaking as to damages is, like all matters of equitable jurisdiction, discretionary in nature. As *Spry on Equitable Remedies*, 3rd edn says:

H The better view appears to be that when, in an undertaking of this nature, reference is made to an order as to damages it is intended simply to ensure that there will be an obligation on the part of the plaintiff to abide by any order that it subsequently made directing him to make a pecuniary recompense to the defendant for any inconvenience or loss that he may have suffered.

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In *F Hoffmann-La Roche & Co v. Secretary of State for Trade and Industry* [1975] AC 295, Lord Diplock said: A

The court has no power to compel an applicant for an interim injunction to furnish an undertaking as to damages. All that it can do is to refuse that application if he declines to do so. The undertaking is not given to the defendant but to the court itself. Non-performance of it is contempt of court, not breach of contract, and attracts the remedies available for contempt; but the court exacts the undertaking for the defendant's benefit. It retains a discretion not to enforce the undertaking if it considers that the conduct of the defendant in relation to the obtaining or continuing of the injunction or the enforcement of the undertaking makes it inequitable to do so ... B C

On the facts of the present case, the finding of the learned trial judge that the defendant had violated its solemn promise not to export the subject goods in the circumstances that required the plaintiff to resort to investigative methods at its own costs – because the defendant had concealed it from the plaintiff until Isaac Leung's transaction brought it to the surface must have led the learned judge to exercise discretion against the former. This is entirely a proper exercise of discretion by the learned judge. Indeed, I am unable to detect any appealable error in the way in which he exercised discretion. As such I do not think it open to this Court to interfere. D E

[7] As a result of this ruling by the Court of Appeal, this court granted leave to the defendant to pose the first question to us: F

Whether in law the defendant is entitled as of right to claim damages for goods seized and removed from the defendant's premises by the plaintiff who had given an undertaking as to damages pursuant to *ex parte* Anton Piller orders dated 17 June 1997 and 1 July 1997 that were set aside by the court upon the applications being made by the defendant. G

[8] We are of the view that in order to deliberate on this, the merit of the case has to be taken into account. Since the second question relates to the merit of the case, we proposed to answer the second question first. H

[9] The second question is:

Whether in law the sales of goods over the counter by the defendant in the defendant's premises in Kuala Lumpur, Malaysia, to an agent of the plaintiff and the subsequent shipping of a portion of the said goods to Hong Kong at the specific request of the said agent, constituted an "EXPORT" sale of all the said goods outside Malaysia by the defendant. I

- A [10] To be more precise, this question requires us to decide on whether the defendant's transaction with Isaac Leung was an over the counter sale or an export sale which is prohibited by the third licence agreement which says that the defendant should refrain from exporting directly or indirectly the products outside Malaysia and Singapore.
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[11] Our approach is to first examine the terms of the third licence agreement. Clause 9.7 therein provides:

- C LICENSEE shall refrain from exporting directly or indirectly any PRODUCT outside TERRITORY. LICENSEE guarantees and takes all reasonable steps to ensure that its distributors, AFFILIATES and/or subcontractors shall refrain from exporting directly or indirectly outside TERRITORY (i) any LICENSED PRODUCT, (ii) any non-authorized product incorporating BRAND NAME and TRADEMARKS and/or (iii) any product incorporating name or logo which is confusingly similar to BRAND NAME or TRADEMARKS.
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[12] And under this licence agreement the following terms are defined:

- E "Territory" means Malaysia and Singapore.
- "Brand Name" means LE COQ SPORTIF.
- "Trademarks" means the marks, names and logos listed in Appendix A.
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[13] However there is no definition for: "exporting directly or indirectly any product outside territory" or "over the counter sale".

- G [14] According to the defendant, the sale to Isaac Leung was an over the counter sale. The defendant insists that it has no control over a customer who walks into its retail outlet, purchases the products and then brings them out of Malaysia or Singapore. Such sale was completed at the counter even though payment for the purchase could be by instalments followed by subsequent delivery of the goods sold.
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- [15] The plaintiff disagrees with this. They argued that the territorial restriction clause in the third licence agreement is to prevent the products, which are trademarked goods, from being sold outside the allocated territory of each licensee. If this is not
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controlled, there would be a worldwide free-for-all sale of the products by all licensees and would render the licence agreement nugatory. Thus, it is essential to consider clause 9.7 of the third licence agreement in this light and to interpret the transaction that had taken place between the defendant and Isaac Leung as an infringement of this clause.

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[16] There is no dispute that the territorial restriction on exporting the products by the defendant is an essential feature of the third licence agreement. This is stated not only in clause 9.7 but also in other parts of this agreement. For instance, clause 2.1 provides that:

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subject to the terms and conditions of this Agreement, the licensor hereby grants to the licensee for the duration of this Agreement, **the exclusive right in Territory** to promote and distribute Products and to use the Trademarks for such purpose (but for no other purpose). (emphasis added).

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[17] Then clause 2.3 states:

Licensor hereby grants to the Licensee for the duration of this Agreement the non-exclusive right to manufacture Licensed Product *in Territory, provided that such Licensed Products manufactured hereunder shall be promoted and distributed only in Territory under this Agreement.* (emphasis added).

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[18] This is followed by clause 2.4 which provides;

Licensor hereby grants to the Licensee for the duration of this Agreement, the non-exclusive right to promote and distribute Products **through direct sales channel of Territory**, such as mail order, cable or satellite television shopping or internet shopping **for the promotion and sales in Territory.** (emphasis added)

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[19] The importance of these provisions governing territorial restriction is best explained by PW1, the plaintiff's Managing Director as follows:

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The plaintiff appoints separate licensee of the trademarks for different countries. With separate licensee for different countries, it is necessary that the licensee does not encroach upon the designated territory of another licensee. For example, if the plaintiff's licensee in Thailand was allowed to sell his trademarked goods in Malaysia and Singapore, that would have been unfair and prejudicial to the defendant.

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- A More importantly, territorial restriction is necessary because the trademarked goods have different quality standards in different countries. The standard and quality of the trademarked goods for each country is determined by the plaintiff guided by factors such as consumer expectation and the selling price of the goods.
- B ... if the trademarked goods wrongfully exported are of a quality and a standard lower than the quality and standard prescribed for that market, the plaintiff's reputation and goodwill in the trademarks face serious risk of being irreparably damaged and injured. This is because purchasers in that market would have come to associate a certain quality and standard with goods of the trademarks and they would have wrongly led into thinking that there has been deterioration in standards. It is seriously damaging to the plaintiff for customers to think that products of the trademarks are no longer "good".
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- D [20] This rational and principle were in fact accepted by the defendant when its Chairman testified that he would not be happy if a consignment of the products was sent to Malaysia by a licensee of the products in another territory.
- E [21] Once this concept and rationale behind territorial restriction is accepted then clause 9.7 should be interpreted in the light of this spirit. Now what does clause 9.7 demands? That the defendant refrains directly or indirectly from exporting the products outside Malaysia and Singapore. Export means "send out (goods or services) esp. for sale in another country" – The Concise Oxford Dictionary.
- F No doubt the customer in the person of Isaac Leung had purchased the goods over the counter but in the circumstances of this case, considering the spirit and intention of the parties as described, does this sale amounts to an export sale? We are of the view that no reasonable man having considered this entire transaction can say that this is not an export sale, directly or indirectly – see *Investor Compensation Scheme v. West Broomwick Building Society* [1998] 1 All ER 96. Here, we have a customer in the person of Isaac Leung who is a foreigner. He purchased a large quantity of the products from the defendant. The transaction was done in a foreign currency (US Dollar). He then informed the defendant's sales executive to ship the products to a nominated company in Hong Kong which is outside the restricted territories. The defendant acceded to this request and completed the shipping forms required for this purpose.
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- I Then there was the confirmation of the payment for balance of the

purchase price by a foreign bank. This transaction far exceeds the ordinary man's perception of an over-the-counter sale. It must be an export sale. It has all the elements to constitute one. We agree that each of these elements taken on their own may not be considered as export such as: the customer being a foreigner, the purchase was transacted in a foreign currency, the large quantity of products purchased, or even for that matter the assistance rendered in freighting the products overseas and the confirmation of the balance payment by an overseas bank. However, these taken in its entirety a reasonable man could not have come to any other conclusion except an export sale which is prohibited by the terms of the third licence agreement.

[22] The defendant seemed to have favoured and adopted a wide and liberal interpretation of clause 9.7 and considered any sale over the counter as non-infringement of this clause. But, this, in our opinion, is against the spirit and intention of the agreement. Clause 9.7 must be given a purposive interpretation that makes good commercial sense on what was agreed – see the case of *Miramar Maritime Corporation v. Holborn Oil Trading Ltd* [1984] AC 676 and *Antaios Cia Nabiera SA v. Salen Rederierna AB, The Antaios* [1984] 3 All ER 229 @ 233. And since it was the spirit and intention of the parties to accept territorial restriction in their transaction, then the defendant should not have sought ways and means to bypass this or turn a blind eye to any sale made over the counter as one which does not infringe clause 9.7. The latter is willful blindness which is unacceptable since clause 9.7 demands the defendant to take all reasonable steps to ensure not only themselves but also their distributors, affiliates and/or sub-contractors refrain from exporting directly or indirectly the products outside the restricted territories.

[23] The defendant has also argued that this sale should be considered in the light of s. 5(1) of the Sale of Goods Act 1957. This provision reads:

A contract of sale is made by an offer to buy or sell goods for a price and the acceptance of such offer. The contract may provide for the immediate delivery of the goods or immediate payment of the price or both, or for the delivery or payment by installments, or that the delivery or payment or both shall be postponed.

A [24] What the defendant is trying to impress us is that the sale was completed at the counter and therefore cannot be considered as an export sale. But we do not see how this section of the Sales of Goods Act can assist the defendant's case. Even if a sale was made or completed at the counter, the question remains as to whether
B this sale violates clause 9.7 of the third licence agreement. As we have said, this depends on the nature of the sale and in this case, we have found the defendant had exported the products directly or indirectly outside its territory limits.

C [25] So our answer to the second question is in the affirmative.

[26] Having answered this, we now return to deal with the first question.

D [27] To begin, it is instructive to quote a passage from Jessel MR in *Smith v. Day* [1882] 21 Ch D 421 @ 424:

E I will first say a few words as to the history and meaning of this kind of undertaking. It was invented by Lord Justice Knight-Bruce when Vice-Chancellor, and was originally inserted in *ex parte* orders for injunctions. Its objective was, so to say, to protect the Court as well as the Defendant from improper applications for injunctions. If the evidence in support of the application supposed or misrepresented facts, the Court was enabled not only to punish the Plaintiff but to compensate the Defendant. By degree of practice
F this extension was that when the application was disposed of upon notice, there was not the same opportunity for concealment or misrepresentation, still owing to the shortness of time allowed, it was often difficult for the Defendant to get up his case properly, and as the evidence was taken by affidavit, and generally without cross-examination, it was impossible to be certain on which side the
G truth lay. The Court therefore required the undertaking in order that it might be able to do justice if it had been induced to grant the injunction by false statement or suppression. I am of the opinion that the undertaking was not intended to apply where the injunction was wrongly granted, owing to the mistake of the Court, as for
H instance where the Judge was wrong in his law. I think this is shown by the fact that such an undertaking is never inserted in a final order for an injunction.

I [28] More relevant to the issue at hand is the remark by Brett LJ in the same case (*Smith v. Day*):

Again I am strongly of the opinion that the question whether an inquiry as to damages should be granted is within the discretion of the Judge who originally tries the case, and that his discretion ought not lightly to be interfered with. In exercising this discretion the Court should act as nearly as may be on fixed rules, of by analogy to fixed rules.

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[29] Lord Diplock's opinion in *F Hoffmann-La Roche & Co v. Secretary of State for Trade and Industry (supra)* has repeated much of what was said above and this has been reproduced in the Court of Appeal decision which we have highlighted. Thus, there is no necessity for us to repeat it.

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[30] But more direct to the point we are getting at is the case of *Cheltenham & Gloucester Building Society v. Ricketts* [1993] 1 WLR 1545 @ 1544 where Peter Gibson LJ said:

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This appeal raises a very important point affecting the practice of the court on the enforcement of undertakings as to damages given by the successful applicant for an interlocutory injunction when subsequently the injunction is shown to have been wrongly granted. The practice of requiring an undertaking as to damages from the applicant for such an injunction as the price for its grant was originated by the Court of Chancery as an adjunct to the equitable remedy of an injunction. There is an obvious risk of unfairness to the respondent against whom an interlocutory injunction is ordered at a time when the issues have not been fully determined and when usually all the facts have not been ascertained. The order might subsequently proved to have been wrongly made but in the meantime the respondent by reason of compliance with the injunction may have suffered serious loss from which he will not be compensated by the relief sought in the proceedings. The risk of such injustice is greater when the interlocutory injunction has been granted *ex parte*. The risk is particularly great with Mareva injunctions, granted as they are almost invariably *ex parte*, and frequently imposing severe restriction on the respondents' right to spend their money or otherwise dispose of their asset: such an injunction can have the effect of ruining a thriving business or of otherwise causing substantial financial loss to the respondent and were vividly described by Donaldson LJ in *Bank Mellat v. Nikpur* [1985] FSR 87, 92 as being, with the Anton Piller order, one of the law's "two 'nuclear' weapons". The courts are properly concerned lest these weapons are used inappropriately and the undertaking in damages provides a salutary potential deterrent against their misuse.

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- A The usual form of undertaking (which was in substance given by the building society in the present case) is “to abide by any order which this court may make as to damages in case the court shall be of the opinion that the respondent shall have suffered any by reason of this order which the appellant ought to pay”. The form of the undertaking indicates that the court has discretion whether to
- B enforce it at all and that discretion is not limited in any way. The power to enforce the undertaking being incidental to the power to grant an injunction (see *In Re Hailstone; Hopkinson v. Carter* (1910) 102 LT 877, 880), the discretion will be exercised in accordance with ordinary equitable principles: see for example, *Spry, Equitable Remedies*, 4th ed. (1990), pp 638-645. The undertaking is given to
- C the court and not to the respondent, who can ask the court to enforce it but has no right to its enforcement nor any right to damages until the discretion is exercised in his favour and damages are awarded.
- D The law was stated by Lloyd LJ (with whom Stocker LJ and Sir George Waller agreed) in *Financiera Avenida v. Shiblaq*, 7 November 1990, thus:
- E Two questions arise whenever there is an application by the defendant to enforce a cross-undertaking in damages. The first question is whether the undertaking ought to be enforced at all. This depends on the circumstances in which the injunction was obtained, the success or otherwise of the plaintiff at the trial, the subsequent conduct of the defendant and all the other circumstances of the case. It is essentially a question of discretion. The discretion
- F is usually exercised by the trial judge since he is bound to know more of the facts of the case than anyone else. If the first question is answered in favour of the defendant, the second question is whether the defendant has suffered any damage by reason of the granting of the injunction. Here the ordinary law of contract applies both as to causation and to quantum: see *F Hoffmann-La Roche & Co A.G. v. Secretary of State for Trade and Industry* [1975] AC 295 per Lord Diplock, at p. 361. In a simple case the trial judge may be able to deal with causation and quantum itself as soon as he has exercised his discretion. But in a more complicated case it may be necessary for him to order an inquiry as to damages either before
- G himself, or before some other judge or before the master or registrar. Very occasionally may he find it necessary to leave over the exercise of the discretion.
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[31] Generally, if an interlocutory injunction is wrongly obtained, such as a failure on the part of the applicant to disclose material evidence or through error or misapplication of the law, discretion should be in favour of the defendant for enforcing the undertaking. But, according to Peter Gibson LJ in the same case (*Cheltenham & Gloucester Building Society v. Ricketts*), it could be otherwise if there are special circumstances. He cited a number of reported decisions on what constituted special circumstances. In *Smith v. Day* (*supra*) and *Ex parte Hall* [1883] 21 Ch. D 664, the respondent had delayed seeking an inquiry as to damages. Then in *Hessin v. Coppin* [1874] 21 Gr. 253, which is a Canadian case, the interlocutory injunction was granted on the basis of the validity of the patent but the motion to continue with the injunction was dismissed when the patent was found to be invalid. In *Modern Transport Co Ltd v. Duneric Steamship Co* [1917] 1 KB 370, 380, Swinfen LJ ruled that the inequitable conduct of the defendant constituted special circumstances such that no inquiry as to damages was to be granted even if the claim for the injunction could not be sustained at trial; but he held that the plaintiff was justified in applying for the interlocutory injunction. In another Canadian case of *Upper Canada College v. City of Toronto* [1917] 40 OLR 438, the court refused inquiry as to damages because of a number of circumstances which included the good faith of the plaintiff and the fact that no costs was awarded against them. Then in *Attorney General of Ontario v. Harry* [1982] 25 CPC 67, a factor taken into account for not enforcing undertaking as to damages was the inequitable conduct of the defendant. And then borrowing the phrase used by Truner LJ in *Newby v. Harrison* [1861] 3 DE G F & J 287, 290: “there may be cases in which the court will not consider it just to enforce an undertaking, though the jurisdiction to do so exists”.

[32] Based on these authorities, it is our considered opinion that whether an inquiry as to damages should be ordered lies with the discretion of the trial judge. It is not for the defendant to insist that such inquiry should be made. The undertaking to damages for an interlocutory injunction is given to the court and not to the defendant. The trial judge is the best equipped to decide on whether to order an inquiry as to damages since he has an adequate knowledge of the facts of the case. He is even allowed to defer the exercise of this discretion until the end of the trial – see *Financiera Avendia v. Shiblaga* (*supra*). As a general rule, if an interlocutory

- A injunction is wrongly granted, the trial judge should make an order for inquiry to damages on the undertaking given by the plaintiff for the interlocutory injunction. But if there are special circumstances, the trial judge can exercise his discretion to refuse ordering such inquiry. The special circumstances disclosed by Sir Peter Gibson LJ in *Cheltenham & Gloucester Building Society v. Ricketts (supra)* can be adopted as a guide but these are not exhaustive. Much depends on the facts and circumstances of each case.

- [33] In our instant case, we find that the discretion of the trial judge in refusing to order an inquiry to damages should not be disturbed for the following reasons: The first and second *ex parte* Anton Piller orders were indeed set aside but they were on the basis of a defective affidavit rather than on merit. At the *inter parte* hearing for the Anton Piller orders, the plaintiff's application was allowed. This shows that the plaintiff had merits in its application for an interim injunction, and the two earlier *ex parte* orders were set aside merely on technical grounds. Further, upon final determination of the case at the end of the trial, the trial judge found in favour of the plaintiff and ordered the injunction sought to remain permanent. This fortified the plaintiff's claim that the injunction sought from the very beginning is not without merit.

- [34] We would also like to state that the trial judge had correctly taken into account the conduct of the defendant subsequent to the *ex parte* injunctions obtained by the plaintiff when deciding not to order an inquiry to damages. Instead of abiding by the terms of the orders, the defendant violated these orders and continued to sell the products in its shop. Such activity continued until the plaintiff obtained an order demanding the defendant to surrender the products. Such misdeed is another factor for refusing an inquiry as to damages.

- [35] The Court of Appeal also took into consideration the defendant's clandestine activity in exporting the products outside its territorial restriction as a factor in justifying the trial judge's decision for not ordering an inquiry to damages. We approve of this approach. Since all facts and circumstances of the case must be taken into consideration in the exercise of the discretion, surely the nature of the plaintiff's claim forms part of it.

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[36] Based on the reasons aforesaid, we answer the first question posed to us in the negative. A

Conclusion

[37] Accordingly, we dismiss this appeal with costs to the plaintiff. Deposit for this appeal should be to the plaintiff on account of taxed costs. B

[38] Before we end, we would like to express our sincere gratitude to Ms Linda Wang, counsel for the plaintiff, for her excellent oral and written presentation in this case. These, together with those from the defendant's counsel, Mr. Jagjit Singh, who also performed remarkably, have assisted us enormously in our deliberation. C

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